

January 14, 2022

BY ELECTRONIC MAIL

Lully E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 5180 – Gas Cost Recovery Filing (“GCR”)
Withdrawal of Interim Gas Cost Recovery Filing**

Dear Ms. Massaro:

Pursuant to Rule 1.12(c) of the Public Utilities Commission’s (“PUC”) Rules of Practice and Procedure,¹ please accept this letter as a withdrawal of The Narragansett Electric Company’s d/b/a National Grid (the “Company”) 2021 Interim Gas Cost Recovery Filing (the “Interim GCR”), which the Company submitted to the PUC on November 19, 2021.

The Company filed the Interim GCR seeking an upward adjustment of Gas Cost Recovery (“GCR”) factors to eliminate a forecast deferred gas cost balance of approximately \$19.2 million as of October 31, 2022. Pursuant to the paragraph 1.2 of Gas Cost Recovery Clause² of the Company’s tariff, the Company may seek an interim adjustment of GCR factors in the “event of any change subsequent to the November effective date [of GCR factors] which would cause the estimate of the Deferred Gas Cost Balance to differ from zero by an amount greater than five percent (5%) of the Company’s gas revenues...” When the Interim GCR was filed, the Company forecasted that the deferred gas cost balance as of October 31, 2022 would be approximately 11.4 percent of the annual gas cost revenue. Therefore, in the Interim GCR, the Company sought an adjustment of GCR factors for effect January 1, 2022 to minimize monthly bill impacts to customers by eliminating the forecasted deferred balance over the remaining ten months of the GCR year.

Developments subsequent to the filing of the Interim GCR, described below, have resulted in changes to the Company’s forecasted deferred gas cost balance such that the Company presently forecasts a balance as of October 31, 2022 of approximately \$7.9 million, which is 4.9 percent of the Company’s gas revenue for the GCR year. Given that the deferred gas cost balance is now less than 5 percent of the Company’s gas cost revenue, the Company has determined that the Interim GCR should be withdrawn.

¹ 810-RICR-0-0-1.12.

² RIPUC NG-GAS No. 101, § 2, Schedule A, Sheet 1, *et seq.*

In order to respond to data request 4-1 propounded by the Division of Public Utilities and Carriers³ (the “Division”) by January 10, 2022, the Company accelerated the monthly process that it uses in order to update its forecasted deferred gas cost balance. Due primarily to a reduction in gas prices from the November 4, 2021 prices used in preparing the Interim GCR to the January 3, 2022 prices used in preparing the Company’s response to Division 4-1, the Company’s forecasted deferred gas cost balance was reduced to approximately \$13.5 million.

Additionally, during its review process of comparing actual to forecasted gas costs, the Company discovered an error in the amortization of the storage deferral component in the financial hedging forecast. For the past several years, the storage deferral component has been a cost to customers due to natural gas prices continuously trending lower; however, as the forecast was actualized during the reconciliation process and with natural gas prices remaining elevated, it was discovered that this deferral should have been reflected as a credit to customers. Once the storage deferral component was corrected, the Company’s deferred gas cost balance as of October 31, 2022, using January 3, 2022 NYMEX prices, was reduced to \$7.9 million or 4.9 percent of the Company’s gas revenues.

The impact of this forecast error has changed over time due to changes in the NYMEX strip, which impacts the projected hedging savings (or cost) and the monthly replacement of incorrect forecasted hedging with correct actuals. In the Company’s interim GCR filed on November 19, 2021, the impact of this forecast error for the months of November 2021 through March 2022 (this is the only applicable period for the storage-related hedging) was approximately \$8.0 million, which would have reduced the projected under-recovery from \$19.2 million, or 11.4%, to approximately \$11.2 million, or 6.6%. Next, in the Company’s December 20, 2021 deferred report, the impact of this error on the forecasted ending balance, including interest, was approximately \$7.4 million. This does not include the impact of replacing the incorrect storage hedging forecast for the month of November with correct actual hedging savings, resulting in a correction of approximately \$0.6 million. Finally, in the deferred report to be filed by January 20, 2022, the impact of this error, including interest, on the projected ending balance would have been approximately \$5.6 million for the forecasted period January through March had this error persisted, and the cumulative impact of replacing the incorrect storage hedging forecast with correct actual hedging savings for the months of November and December is an additional correction of approximately \$2.4 million.

The storage deferral error in the financial hedging forecast described above was discovered from the replacement of forecasted amounts with actual amounts in the monthly update of the deferred gas cost balance. The Company’s acceleration of its monthly update process in order to respond to Division 4-1 led to the discovery of this error somewhat earlier in the month than would have been the case if the Company performed its update in the ordinary course. However, the error would have been uncovered in any event through the Company’s preparation of monthly GCR deferred reports. Furthermore, the calculation of actual hedging

³ Data request Division 4-1 effectively sought a forecast of the Company’s deferred cost balance as would ordinarily be provided in the Company’s monthly deferred gas cost balance report.

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costs recorded monthly in the GCR reconciliation is performed independently, which allows an independent check of the amount to detect and correct a discrepancy such as this.

In light of the fact that the Company's presently-forecasted deferred gas cost balance is less than 5 percent of the Company's gas cost revenue for the GCR year, the Company respectfully withdraws the Interim GCR submitted to the PUC on November 19, 2021.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 5180 Service List
Leo Wold, Esq.
John Bell, Division
Al Mancini, Division
Jerome D. Mierzwa, Division Consultant

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

January 14, 2022
Date

Docket No. 5180 – National Grid – 2021 Annual Gas Cost Recovery Filing (GCR) - Service List as of 9/13/2021

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